

16-Sep-16

PRELIMINARY RESULTS

T16-0208  
House GOP Tax Plan: Impact on Tax Revenue, 2016-26 by Fiscal Year and Total for FY2027-36<sup>1</sup>  
Baseline: Current Law

Proposal	Fiscal Year (\$ billions)												
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2016-26	2027-36
<b>Individual Income and Payroll Taxes</b>													
Repeal ACA taxes	-5.6	-23.1	-57.0	-72.2	-78.5	-82.4	-86.8	-91.6	-96.8	-101.8	-107.2	-803.1	-1,430.0
Repeal alternative minimum tax	0.0	-25.0	-34.7	-37.2	-40.1	-42.9	-45.1	-47.3	-49.3	-51.6	-54.1	-427.3	-723.7
Individual income tax rates of 12, 25, and 33 percent	0.0	-92.6	-129.2	-135.9	-143.1	-149.8	-157.4	-167.4	-178.2	-189.1	-200.2	-1,542.9	-2,620.4
Repeal itemized deductions (other than charitable and mortgage interest) and Pease	0.0	106.6	150.3	161.8	174.8	187.3	199.2	212.0	224.8	238.3	252.5	1,907.6	3,342.0
Increase standard deduction to \$24,000/\$18,000/\$12,000	0.0	-93.5	-126.7	-128.9	-131.6	-135.9	-139.7	-144.3	-148.8	-153.1	-158.4	-1,361.0	-1,911.1
50 percent inclusion rate for capital income	-5.2	-22.8	-34.4	-44.2	-48.3	-50.6	-53.0	-55.7	-58.5	-61.1	-63.9	-497.8	-848.6
Top rate of 25 percent on active business income	0.0	-22.7	-32.3	-34.8	-37.5	-39.2	-41.1	-44.7	-49.4	-53.5	-57.6	-412.8	-709.5
Repeal personal exemptions for taxpayer and dependents	0.0	108.8	148.3	153.2	158.6	165.3	171.6	177.2	183.0	190.5	197.0	1,653.6	2,427.9
Additional nonrefundable credit of \$500 per dependent; increase CTC phaseout for MFJ	0.0	-25.3	-33.9	-33.8	-33.7	-33.6	-33.4	-33.3	-33.1	-32.9	-32.6	-325.5	-312.6
Repeal child and dependent care and elderly credits	0.0	2.7	3.6	3.7	3.8	3.9	4.1	4.1	4.2	4.3	4.4	38.9	48.8
Expense all investment (except land); disallow interest deduction and exclude interest received on new business loans	0.0	-93.6	-113.7	-99.0	-86.8	-71.9	-57.1	-45.5	-34.6	-23.5	-12.0	-637.5	487.6
Repeal individual tax expenditures explicitly identified in House GOP plan	0.0	25.2	35.5	37.2	38.1	39.0	40.0	40.9	42.0	43.1	44.2	385.2	515.7
<b>Total for individual income and payroll tax revenue</b>	<b>-10.8</b>	<b>-155.3</b>	<b>-224.1</b>	<b>-230.2</b>	<b>-224.4</b>	<b>-210.7</b>	<b>-198.7</b>	<b>-195.5</b>	<b>-194.7</b>	<b>-190.4</b>	<b>-188.0</b>	<b>-2,022.8</b>	<b>-1,733.9</b>
<b>Corporate Income Tax</b>													
Reduce corporate rate to 20% and repeal the corporate AMT	0.0	-80.7	-163.6	-183.4	-194.0	-192.7	-196.0	-199.9	-205.0	-211.1	-218.5	-1,844.9	-2,751.5
Expense all investment; disallow interest deduction and exclude interest received on new business loans	0.0	-70.0	-120.3	-103.4	-86.1	-66.5	-37.2	-12.9	4.4	17.5	27.0	-447.5	636.4
Territorial system of taxing foreign-source income earned after 12-31-16	0.0	-3.6	-7.3	-8.4	-8.7	-9.0	-9.4	-9.8	-10.2	-10.6	-11.0	-87.9	-139.2
Deemed repatriation over 8 years of accumulated untaxed pre-2017 earnings of CFCs, with reduced rates	0.0	7.8	15.6	17.3	17.3	17.3	17.3	17.3	17.3	9.5	1.7	138.3	0.0
Border adjustments (receipts from exports excludable and purchases of imports not deductible)	0.0	49.9	101.4	115.5	118.9	122.4	126.2	130.1	134.2	138.3	142.6	1,179.6	1,689.3
Repeal corporate tax expenditures explicitly identified in House GOP plan	0.0	5.0	10.6	13.2	14.8	16.5	18.3	20.2	22.2	24.4	26.7	171.7	372.5
<b>Total for corporate income tax revenue</b>	<b>0.0</b>	<b>-91.7</b>	<b>-163.6</b>	<b>-149.1</b>	<b>-137.8</b>	<b>-112.0</b>	<b>-80.8</b>	<b>-55.0</b>	<b>-37.0</b>	<b>-32.0</b>	<b>-31.6</b>	<b>-890.7</b>	<b>-192.5</b>
<b>Estate and Gift Taxes</b>													
Repeal the estate, gift and GST taxes for deaths and gifts made on or after Jan. 1, 2017; carryover basis for gains	0.0	0.4	-13.2	-20.1	-21.3	-21.4	-21.6	-21.9	-22.2	-22.8	-23.2	-187.4	-299.2
<b>Total for estate and gift tax revenue</b>	<b>0.0</b>	<b>0.4</b>	<b>-13.2</b>	<b>-20.1</b>	<b>-21.3</b>	<b>-21.4</b>	<b>-21.6</b>	<b>-21.9</b>	<b>-22.2</b>	<b>-22.8</b>	<b>-23.2</b>	<b>-187.4</b>	<b>-299.2</b>
<b>Total revenue effect of plan before macro feedback (sum of the above)</b>	<b>-10.8</b>	<b>-246.6</b>	<b>-401.0</b>	<b>-399.5</b>	<b>-383.6</b>	<b>-344.1</b>	<b>-301.1</b>	<b>-272.4</b>	<b>-253.9</b>	<b>-245.2</b>	<b>-242.7</b>	<b>-3,100.9</b>	<b>-2,225.6</b>
<b>Addendum 1: Increase in federal debt service costs</b>													
Increase in deficit (before debt service costs)	10.8	246.6	401.0	399.5	383.6	344.1	301.1	272.4	253.9	245.2	242.7	3,100.9	2,225.6
Interest cost	0.0	2.9	10.9	27.8	43.1	58.5	72.5	86.0	99.0	111.9	125.0	637.6	2,040.4
<b>Increase in deficit</b>	<b>10.9</b>	<b>249.5</b>	<b>411.9</b>	<b>427.3</b>	<b>426.7</b>	<b>402.6</b>	<b>373.6</b>	<b>358.3</b>	<b>352.9</b>	<b>357.1</b>	<b>367.7</b>	<b>3,738.6</b>	<b>4,266.0</b>
<b>Addendum 2: Increase in federal debt relative to GDP</b>													
Increase in federal debt	10.9	260.4	672.3	1,099.7	1,526.3	1,929.0	2,302.5	2,660.9	3,013.8	3,370.9	3,738.6		In 2036 8,004.5
GDP <sup>2</sup>	18,493.8	19,296.5	20,127.1	20,906.0	21,709.7	22,593.2	23,527.5	24,497.2	25,505.6	26,559.2	27,660.0		41,511.7
<b>Increase in federal debt relative to GDP (percent)</b>	<b>0.1%</b>	<b>1.3%</b>	<b>3.3%</b>	<b>5.3%</b>	<b>7.0%</b>	<b>8.5%</b>	<b>9.8%</b>	<b>10.9%</b>	<b>11.8%</b>	<b>12.7%</b>	<b>13.5%</b>		<b>19.3%</b>
<b>Addendum 3: Tax expenditures possibly included but not explicitly identified in the House GOP plan</b>													
Individual income tax and payroll tax expenditures	0.0	30.1	51.9	54.5	56.9	59.7	62.7	66.6	69.8	73.3	77.2	602.8	1,053.0
Corporate income tax expenditures	0.0	8.4	17.1	19.6	20.1	20.7	21.3	21.9	22.6	23.2	23.9	198.9	286.1

MACRO FEEDBACK (DYNAMIC) EFFECTS

Total revenue effect of all proposals after macro feedback:

TPC Keynesian model estimates	-10.8	-203.6	-372.5	-387.4	-376.6	-342.6	-301.1	-272.4	-253.9	-245.2	-242.7	-3,008.8	-2,225.6
PWBM overlapping generations model estimates	-10.8	-200.0	-339.5	-339.2	-322.9	-282.9	-239.6	-210.9	-192.8	-185.0	-184.1	-2,507.6	-1,944.1

Difference in total revenue change due to macro feedback:

TPC Keynesian model estimates	0.0	43.0	28.5	12.1	7.0	1.5	0.0	0.0	0.0	0.0	0.0	92.1	0.0
PWBM overlapping generations model estimates	0.0	46.6	61.5	60.3	60.6	61.2	61.5	61.5	61.1	60.2	58.7	593.3	281.5

Addendum 1A: Increase in federal debt service costs (estimates based on TPC Keynesian model)

Increase in deficit (before debt service costs)	10.8	203.6	372.5	387.4	376.6	342.6	301.1	272.4	253.9	245.2	242.7	3,008.8	2,225.6
Interest cost	0.0	3.0	11.1	27.2	41.7	55.7	69.0	82.3	95.2	107.9	120.8	614.1	1,991.2

Increase in deficit	10.9	206.7	383.6	414.6	418.3	398.3	370.1	354.7	349.1	353.1	363.6	3,622.9	4,216.8
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Addendum 2A: Increase in federal debt relative to GDP (estimates based on TPC Keynesian model)

Increase in federal debt	10.9	217.5	601.1	1,015.7	1,434.0	1,832.3	2,202.4	2,557.1	2,906.2	3,259.4	3,622.9	In 2036	
GDP <sup>3</sup>	18,493.8	19,497.2	20,260.3	20,962.7	21,742.2	22,600.2	23,527.5	24,497.2	25,505.6	26,559.2	27,660.0	7,839.7	

Increase in federal debt relative to GDP (percent)	0.1%	1.1%	3.0%	4.8%	6.6%	8.1%	9.4%	10.4%	11.4%	12.3%	13.1%	41,511.7	
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Addendum 1B: Increase in federal debt service costs (estimates based on PWBM model)

Increase in deficit (before debt service costs)	10.8	200.0	339.5	339.2	322.9	282.9	239.6	210.9	192.8	185.0	184.1	2,507.6	1,944.1
Interest cost	0.0	2.4	9.1	23.3	36.3	49.1	60.5	71.2	81.4	91.5	101.6	526.5	1,655.6

Increase in deficit	10.9	202.4	348.6	362.5	359.2	332.0	300.1	282.1	274.2	276.5	285.7	3,034.1	3,599.7
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Addendum 2B: Increase in federal debt relative to GDP (estimates based on PWBM model)

Increase in federal debt	10.9	213.3	561.9	924.4	1,283.6	1,615.6	1,915.6	2,197.7	2,472.0	2,748.4	3,034.1	In 2036	
GDP <sup>4</sup>	18,493.8	19,507.6	20,405.6	21,179.1	21,984.1	22,870.4	23,805.8	24,775.4	25,782.1	26,831.5	27,925.2	6,633.8	

Increase in federal debt relative to GDP (percent)	0.1%	1.1%	2.8%	4.4%	5.8%	7.1%	8.0%	8.9%	9.6%	10.2%	10.9%	41,415.4	
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Source: Urban-Brookings Tax Policy Center (TPC) Microsimulation Model (version 0516-1), TPC off-model estimates, TPC Keynesian (dynamic) model, and the Penn-Wharton Budget Model (PWMB) overlapping generations (dynamic) model.

1. Baseline is current law (including provisions in the Protecting Americans from Tax Hikes Act of 2015 and the Consolidated Appropriations Act of 2016). Unless otherwise noted, provisions are assumed effective 01/01/2017. Conventional estimates include microdynamic behavioral responses. For a description of the provisions, see TPC's "An Analysis of House GOP's Tax Plan."

2. The GDP forecast through 2026 is from CBO, The Budget and Economic Outlook: 2016 to 2026 (January 2016) and for 2027-2036 is from CBO, The 2016 Long-Term Budget Outlook (July 2016).

3. The GDP forecast is based on the output of the TPC Keynesian model and the CBO baseline forecast of GDP.

4. The GDP forecast is based on the output of the PWBM overlapping generations model and the CBO baseline forecast of GDP.